

## Message Text

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ACTION AGRE-00

INFO OCT-01 EUR-12 NEA-10 ISO-00 EB-08 AID-05 TRSE-00

INRE-00 CIAE-00 INR-10 NSAE-00 SSO-00 /046 W

-----032792 011427Z /46

O R 011345Z AUG 78

FM AMEMBASSY NICOSIA

TO SECSTATE WASHDC IMMEDIATE 8088

INFO AMEMBASSY TEL AVIV

UNCLAS NICOSIA 1935

E.O. 11652: N/A

TAGS: EAGR, CY

SUBJECT: CCC CREDIT LINE FOR CENTRAL BANK OF CYPRUS (CBC)

REF: (A) USDA/CEP TELEX TO CYPRUS GRAIN COMMISSION 7/27/78

(B) STATE 192186

1. CBC PASSED EMBASSY COPY REF. TELEX JULY 28 AND ASKED FOR CLARIFICATION. TELEX STATES THAT CBC CREDIT LINE EXHAUSTED AND THAT SALE OF GRAIN BY CARGILL TO CYPRUS GRAIN COMMISSION SHOULD BE FINANCED BY ANOTHER CYPRUS BANK. CBC DOES NOT UNDERSTAND WHY DOLS. 10.3 MILLION IS MAXIMUM CREDIT LINE THAT CAN BE ESTABLISHED FOR CBC AND WONDERS HOW THIS LIMIT WAS ESTABLISHED.

2. FYI CBC IS NOT A COMMERCIAL BANK. IT FUNCTIONS MUCH LIKE FEDERAL RESERVE AND CENTRAL BANKS IN OTHER COUNTRIES. BECAUSE OF BRITISH COLONIAL HERITAGE IT RESEMBLES MOST CLOSELY BANK OF ENGLAND IN ORGANIZATION AND APPROACH. CBC ACTS AS THE MONETARY AND FISCAL FOR THE GOC HANDLING ALL GOC OPERATIONS IN THE FOREIGN EXCHANGE MARKETS.

3. IN ORDER TO EXPEDITE APPROVAL OF CARGILL'S SALE TO GRAIN COMMISSION CBC ASKED BANK OF CYPRUS (BOC) TO OPEN THE CREDIT. BOC WAS AMUSED BY REQUEST BECAUSE  
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CBC AS "THE" CENTRAL BANK OF CYPRUS IS FINAL GUARANTOR FOR COMMERCIAL BANKS SUCH AS BOC WHICH ACCORDING TO REF TELEX HAS CREDIT LINE FIVE TIMES LARGER THAN THAT OF CBC.

4. ALTHOUGH EMBASSY NOT AWARE OF CRITERIA USED BY CCC IN ESTABLISHING LINES OF CREDIT, WE SHARE CBC SURPRISE THAT IT SHOULD HAVE SUCH A LOW LIMIT. GOC, WHICH CBC REPRESENTS,

IS EXCELLENT CREDIT RISK. IT HAS LOW (4 PERCENT) DEBT SERVICE RATIO AND FOREIGN EXCHANGE RESERVES COVERING ALMOST 6 MONTHS IMPORTS ARE CONSIDERED MORE THAN ADEQUATE. AS REPORTED NICOSIA 1841 GOC'S GOOD CREDIT RATING WAS RECENTLY CONFIRMED WHEN CBC SIGNED ON BEHALF GOC DOLS 40 MILLION LOAN AGREEMENT WITH SYNDICATE LED BY CHASE MANHATTAN. OFFER WAS OVER SUBSCRIBED AND CHASE URGED CBC TO INCREASE IT TO AT LEAST 50 MILLION IN ORDER TO ACCOMMODATE ADDITIONAL SUBSCRIBERS. HOWEVER, CBC'S CONSERVATIVE MANAGEMENT TURNED DOWN REQUEST AS ADDITIONAL FOREIGN EXCHANGE NOT PRESENTLY NEEDED.

5. REQUEST CCC PROVIDE EMBASSY WITH GUIDANCE ON HOW TO RESPOND TO CBC. EMBASSY WOULD ALSO RECOMMEND THAT CBC CREDIT LINE BE SUBSTANTIALLY INCREASED AND WILL BE HAPPY SUPPLY ANY SUPPORTING DATA REQUIRED BY CCC.  
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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014